

What can you do?

Request lower-cost generic drugs or drugs from your health plan's formulary (or preferred drug list). When your doctor prescribes medication, ask if a generic drug or a less expensive name-brand drug will work just as well as a drug you heard about on a television advertisement. The difference in cost can be significant. For instance, the antidepressant Prozac costs over \$1,400 per year. An equivalent drug, Zoloft, is \$780 per year. Another example is the nonsedating antihistamine Claritin, which costs \$804 for a patient to use over the course of a year. An equivalent drug like Zyrtec can be substituted at a cost of \$660 per year. Choosing a generic alternative or a formulary drug not only saves you money, but also helps your employer and health plan keep their costs down.

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What
you
need
to know
about
the
rising
cost of...

PRESCRIPTION DRUGS

It's no secret health care costs are rising. One of the principle reasons is the increasing cost in prescription drugs. Beginning January 1, 2000, employees receiving health coverage through the Public Employees Benefits Board (PEBB) began paying more than they had in the past for prescription drugs. This change reflects the growing cost of prescription drugs nationwide, a trend that is causing everyone (including consumers and employers) to pay more. The average prescription now costs nearly \$60, even though you may only pay a \$10 or \$20 copayment for that prescription. Both you and your employer are paying for the remaining cost through your monthly payroll deduction. The state's contribution for all employee benefits was, on average, \$391 per employee per month in fiscal year 2000, and \$436 in fiscal year 2001. Over 85% of the state's contribution pays for health care costs.

Drug spending is going up

Over the past couple of years, industry estimates indicate that prescription drug prices are increasing 15% to 20% annually. Nationally, total drug spending went from \$37.7 billion in 1990 to \$100.6 billion in 1999.

What is driving up drug spending?

Pharmaceutical companies are spending more money on drugs, both in the areas of research and development, and in marketing. In turn, the development of new drugs and increased marketing are causing people to use more drugs. Employers and consumers are footing the bill.

Research and development.

Pharmaceutical companies spent over \$17 billion in 1998 on the research and development of new drugs. Just in the past few years, new drugs have been developed to treat illnesses that previously had no treatment. In addition, new drugs have been developed that not only save lives but enhance lifestyles. This includes drugs that treat sexual dysfunction or hair loss.

Marketing. In 1998, pharmaceutical companies spent \$8.3 billion on total marketing, including \$1.3 billion on direct-to-consumer marketing (television and magazine ads that urge you to get a prescription from your doctor). The most advertised drugs, such as Viagra, Claritin, Allegra, and Propecia, are not really life-saving drugs. They are lifestyle enhancement drugs.

Drug usage. Pharmaceutical companies are spending over \$1 billion on advertising because it works. The drugs which are advertised the most are the ones that get prescribed the most, because patients ask their doctors for the drugs they've heard of. Doctors tend to prescribe these drugs more, because the pharmaceutical companies market directly to them too. The drugs that are heavily advertised are the top sellers, but they cost more because of that advertising overhead. In addition, more people are using drugs than ever before. This is due in part to the increased number of lifestyle enhancement drugs. Another major factor is that a larger percentage of the general population is at an age where maintenance medication is more common.